

TOUTLE LAKE SCHOOL DISTRICT No. 130
Cowlitz County, Washington
September 1, 1992 Through August 31, 1994

Schedule Of Findings

1. The District Should Strengthen Controls Over Checking Accounts

We noted the following control weaknesses related to the district's checking accounts:

- a. Bank statement reconciliations were not performed in a timely manner. As of June 1995, the following reconciliation delays existed:
 - (1) The General Fund depository checking account was last reconciled May 1993.
 - (2) The General Fund revolving checking account was last reconciled May 1993.
 - (3) The ASB Fund depository checking account was last reconciled May 1993.
 - (4) The ASB Fund revolving checking account was last reconciled May 1994.
- b. Because the General Fund depository checking account was not regularly reconciled, it was not brought down to a zero balance each month. Loan proceeds of \$19,000 received August 1993, had not yet been deposited with the county treasurer as of this writing (June 1995).
- c. Checks were written to the business manager and signed only by the business manager. There were no signatures, initials, or other evidence of a second person reviewing these checks.
- d. Checks were routinely made out to "cash" instead of to the person receiving the advance for trip or game expenses.
- e. On two separate occasions, former employees' signatures were not removed by management in a timely manner from the First Interstate Bank's signature authorization cards. These cards contain the signatures of those persons authorized to write checks, make withdrawals, and conduct other bank business in the name of the district.
- f. In general, there is a lack of adequate, written procedures requiring sound checking account controls.

These conditions existed because management failed to ensure that controls were adequately designed and properly functioning.

Lack of adequate controls over checking accounts creates an environment in which fraud can easily occur and not be detected in a timely manner.

We recommend that the district reconcile its bank statements monthly, require two signatures on checks, cease writing checks out to "cash", and keep its signature cards up to date. We further recommend that the loan proceeds of \$19,000 be immediately deposited with the Cowlitz County Treasurer. We also recommend that management take an active role ensuring that controls are properly designed and in place.

2. The District Should Report Staff Mix Data Correctly And Maintain Adequate Documentation To Support The Reports

School districts are required annually to report to the Superintendent of Public Instruction (SPI) the degrees and academic credits of its certificated staff. SPI uses this information in its determination of the amount of school apportionment funds due the district.

To ensure the reported degrees and credits are accurate, WAC 392-121-280 requires in part:

School districts shall have documentation on file and available for review which substantiates each basic education certificated instructional employee's placement on LEAP salary allocation documents.

- (1) Districts shall document the . . . conferring of the highest degree . . . as recorded on the diploma or transcript from the registrar of the regionally accredited institution of higher education.
- (2) Districts shall document academic credits by having on file a transcript from the registrar of the regionally accredited institution of higher education granting the credits.

To test the accuracy of the documentation of the degrees and credits, we reviewed the certificated employee files. We found five files did not contain adequate support for the credits reported. In three cases, files did not contain adequate evidence supporting the acquisition of a bachelor's or master's degree. In three other cases, files contained credits earned in advance of a degree, or credits for no grade, or credits for withdrawal.

When the district submits erroneous staff reports to SPI, the district's apportionment may be incorrect.

These errors occurred because employees responsible for reporting staff mix did not require official transcripts, nor adequately review the accuracy of information reported to SPI.

We recommend district officials enhance their review of certificated employee personnel files and obtain any needed documentation to verify and support degrees reported and credits earned.

3. The District Should More Carefully Verify The Accuracy Of Information Used In Placing Employees On The Salary Schedule

We tested the accuracy of salary schedule placement for the district teachers. In two cases, we found that the individuals were receiving higher salaries than was supported by documentation in their files.

WAC 392-121-220 through 280 provide guidance for placement of certificated educational staff on the statewide salary schedule.

One teacher was improperly placed on the salary schedule because 17 credits shown with a grade of "W" or withdrawal were included in the placement determination. The resulting overpayment calculations follow:

	<u>FYE 93</u>	<u>FYE 94</u>	<u>FYE 95</u>
Actual contract	\$40,403	\$40,403	\$40,403
Correct contract	<u>34,464</u>	<u>34,464</u>	<u>34,464</u>
Overpayment	<u>\$ 5,939</u>	<u>\$ 5,939</u>	<u>\$ 5,939</u>

A second teacher was improperly placed on the salary schedule because 16 credits earned before the bachelor's degree were included in the placement determination. The resulting overpayment calculations follow:

	<u>FYE 93</u>	<u>FYE 94</u>	<u>FYE 95</u>
Actual contract	\$44,942	\$44,942	\$44,942
Correct contract	<u>43,032</u>	<u>43,032</u>	<u>43,032</u>
Overpayment	<u>\$ 1,910</u>	<u>\$ 1,910</u>	<u>\$ 1,910</u>

It appears that the district did not consistently follow the approved established guidelines, which resulted in the improper payments.

We recommend the district enhance its review of the files of certificated employees to determine their proper placement on the salary schedule. We further recommend the district improve its system of updating and reviewing salary schedule placement to ensure employees are correctly paid.

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Schedule Of Federal Findings

1. The District Should Perform Timely Chapter 1 Evaluations

The district did not complete an effectiveness evaluation for its federally funded Chapter 1 program, CFDA 84.010. The evaluation is required for Local Education Agencies (LEA) by 34 CFR 200.35, which states:

(a) LEA evaluations. (1)(i) An LEA shall evaluate, at least once every three years, the effectiveness of its Chapter 1 projects, in terms of basic and more advanced skills . . . (2)(i) The LEA shall determine whether improved performance of Chapter 1 participating children is sustained over a period of more than 12 months. (ii) To make this determination, an LEA shall assess performance of the same children for at least two consecutive 12 month periods

This condition was cited in our previous audit report.

These evaluations were not performed because program administrators failed to comply with the superintendent's instructions regarding the completion of the three-year evaluation cycle.

Continued failure to comply with Chapter 1 requirements could jeopardize future federal funding.

We recommend the district strengthen its system to ensure that the prescribed effectiveness evaluations are performed timely.